

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEW MEXICO**

In re:

ROMAN CATHOLIC CHURCH OF THE
ARCHDIOCESE OF SANTA FE, a New Mexico
corporation sole,

Debtor.

Chapter 11

Case No.: 18-13027-11

**DECLARATION OF TONY SALGADO
IN SUPPORT OF FIRST DAY MOTIONS**

1. I am over the age of eighteen (18) and I am authorized to make this declaration as I am the Executive Director of Finance for the Archdiocese of Santa Fe ("Archdiocese" or "Debtor"), and am familiar with the history, structure and mission of the Archdiocese. I am also intrinsically familiar with the Archdiocese's day-to-day operations, business affairs, and books and records.

2. The facts stated in this Declaration are based upon my knowledge as Executive Director of Finance for the Archdiocese of Santa Fe.

I. INTRODUCTION

3. Operations are primarily conducted at the Catholic Center of the Archdiocese, and to a lesser extent, the Immaculate Heart of Mary Retreat Center, the Archives Museum, and the Madonna Retreat, which are departments of the Archdiocese.

4. On the date hereof (the "Petition Date"), the Archdiocese caused its attorneys to file a Voluntary Petition for Chapter 11 bankruptcy relief under Title 11 of the United States Code (the "Bankruptcy Code"). Pursuant to 11 U.S.C. §§ 1107(a) and 1108, the Archdiocese continues to operate and manage its properties as Debtor-in-Possession.

5. To enable the Archdiocese to minimize the adverse affects of the commencement of this Chapter 11 case on its operations, the Archdiocese has requested various types of relief in first day motions, collectively the "First Day Motions." The First Day Motions seek relief aimed at, among other things, facilitating a smooth transition in this Chapter 11 case, maintaining employee compensation, maintaining the good will and morale of priests, lay employees and others who rely on the programs and services provided by the Archdiocese, and preserving and maximizing the property available to satisfy the Archdiocese's creditors. All of the First Day Motions are vital to the Debtor's reorganization efforts, and expedited approval of the First Day Motions is important to the Debtor's success in this Chapter 11 case. My declaration is in support of the First Day Motions.

II. CASH MANAGEMENT MOTION

6. The Archdiocese of Santa Fe maintains the following bank and investment accounts, which are all managed at the Catholic Center:

Purpose of Account	Institution Name	Type of Account	Account Number (Last 4 Digits)
Operating	Bank of America	Business Checking	0021
Credit Card Collateral	Bank of America	Money Market and Investments	1946
Operating Reserve	Morgan Stanley	Money Market	7268
Payroll	Bank of America	Business Checking	0860
Cafeteria	Bank of America	Business Checking	3937
Workers' Comp Self-Ins.	Bank of America	Business Checking	6317
Prop Insurance Reserve	Bank of America	Business Checking	0078
Workers' Comp Claims Acct.	Bank of America	Business Checking	5601
Workers' Comp Cash Acct.	Morgan Stanley	Money Market and Investments	3268

7. The Bank of America operating account is used primarily for the day-to-day deposits and expenditures related to the Archdiocesan budget. The budget expenditures relate to offices or subsidies that are budgeted for. An example is the Office of Youth Ministry, which

is budgeted for payroll and benefits, office supplies, utilities, professional fees, youth conferences or retreats and other expenses. A subsidy example is monthly support that is sent to Catholic Charities. Another budgetary item is the payment of tuition, room, and board for seminarians. These are payments made by the Archdiocese in the ordinary course of operations. As of the Petition Date, the operating account balance will approximate \$3.8 million.

8. The day-to-day deposits primarily relate to revenues that are budgeted for, such as parish assessments which are assessed on parish collections and other parish revenues. The current assessment is 12½%, of which 10% is for the operating budget, and 2½% for priest retirement which is remitted to the Archdiocesan Priest Retirement Fund, a separate entity. The Archdiocese of Santa Fe also receives a monthly allocation from the Annual Catholic Appeal. Other revenues relate to two retreat centers, various fees, rental income, grant income, and other charitable sources.

9. There are also deposits related to accounts receivable that are billed primarily to parishes for property and liability insurance, the diocesan newspaper, health insurance, and for miscellaneous billings and fees which the Archdiocese pays for itself and on behalf of the Parishes.

10. Other deposits which don't impact the budget, but for which the Archdiocese facilitates payment (in and out) are for second collections taken up at the parishes that are remitted to the national collection office at the United States Catholic Conference. One example is the Peter's Pence second collection that is for the Pope's pastoral work.

11. Another second collection taken up at parishes is the Campaign for Human Development, which is also remitted to the Office of National Collections in Washington D.C.

An additional example is Catholic Relief Services, and that is remitted to the national office of Catholic Relief Services in Baltimore.

12. There are designated fund receipts and expenses that do not impact the budget. These are for workshops, conferences, retreats, and other events or programs. Any receipts normally represent fees and expenses are related to the event. Theoretically the receipts and expenses equal but sometimes there is an excess and it is carried forward to the next event. These are internally designated for accounting purposes. The Bank of America Operating Account is used to facilitate the receipts and expenses.

13. There is a separate payroll bank account maintained to process Archdiocese payroll for approximately 84 lay and priest employees (not parish employees). Lay employees are paid bi-weekly and priest employees are paid on a monthly basis. A payroll service, Paycor, is utilized for processing of payroll and the payment of payroll taxes. Virtually all of the employees have an automatic deposit into their bank account. The Archdiocese also facilitates a medical reimbursement expense plan for employees and the Bank of America Cafeteria bank account is used for this purpose.

14. The Archdiocese of Santa Fe maintains, on a centralized basis, a property and casualty insurance program with Catholic Mutual of Omaha, Nebraska, and a health insurance program with Blue Cross-Blue Shield. The Archdiocese bills each of the parishes and other participants on an annual basis for their share of the property and casualty insurance program costs. Total billing, on an annual basis, approximates \$2.3 million, and parishes and other participants either pay the total bill, or monthly or quarterly payments. Other participants include Catholic Charities, Catholic Cemetery Association, and St. Pius Foundation.

15. Included in the billing for property and casualty insurance is a portion for the workers' compensation program, which is self-insured. However, there is "excess insurance" coverage that is purchased from Catholic Mutual Insurance Company. The Archdiocese is custodian for the self-insured funds held at Morgan Stanley, Bank of America, and the workers' compensation claims account.

16. The health insurance program is full indemnity (not self-insured) and is paid monthly to Blue Cross/Blue Shield. The Parish portion is billed to the parishes and other participants for their employee coverage, similar to the property and casualty insurance. Employee's insurance is paid by the Archdiocese or Parish. Archdiocese's employees pay only insurance premiums for family members, if elected.

17. The above insurance programs, because of their billing, creates fluctuations in accounts receivable throughout the year. Also, the above programs include the Archdiocese of Santa Fe's portion, which share of the property and casualty program and health insurance program is paid from the operating account. The Bank of America operating account is used for accounts receivable receipts and payment of premiums. The Bank of America property insurance reserve account is used for the Catholic Mutual program and reimburses the Bank of America operating account for premiums and other expenses paid.

18. Some of the office directors have an office Bank of America credit card for office expenses and the program is collateralized with a Bank of America money market. There are 12 credit cards in use by these key employees. There is a master billing, which payment is made and then each office provides an accounting for each office card.

19. There are investments that are managed by the Archdiocese, in 2 accounts and approximate \$6.2 million. The Archdiocese also maintains investments with the Catholic

Foundation of \$4.5 million, all of which of the investments are restricted in use, or permanently endowed. The Morgan Stanley operational reserve is primarily unrestricted and has certificates of deposits purchased at various banks so as not to exceed the FDIC coverage, and primarily includes corporate bonds. There is the Morgan Stanley workers' compensation investment and a certificate of deposit which collateralizes a letter of credit to the State of New Mexico, in the amount of \$1,079,000.00. The Archdiocese is custodian of most of the workers' compensation assets. There are a handful of other investments. See the attached Exhibit A for more detail.

20. There are petty cash accounts held by the Finance Office, Archbishop's Home, IHM Retreat Center, General Services, and Madonna Center. These are used for very small purchases.

21. All of the above are accounted for with Abila MIP Fund Accounting software, which is a web based software and is "state of the art". The accounts listed at paragraph 6 are carefully accounted for and reconciled on a monthly basis.

22. The Archdiocese obtains funds from a number of sources: (i) from a modest assessment of the Parishes that receive collections from their parishioners to pay the assessment; (ii) from donations, including donations received through the annual archbishop's appeal; (iii) from grants; (iv) from two retreat centers and reimbursement of service fees, and (v) from collections where the Archdiocese retains a portion of the collections. Donations made to the Archdiocese are made as either restricted donations where the donor specifies, as an express condition of the donation, that it be used for a specific purpose, or as unrestricted donations which allows the Archdiocese to use the donation for any purpose, including payment of operating expenses. Grants that the Archdiocese receives for its own benefit (as opposed to grants for the Parishes that are administered as pass-through by the Archdiocese), are generally

restricted for a particular purpose or program. The Archdiocese also receives and holds collections in Parishes that are commonly referred to as “second collections” for remittance to the program for which the collection is made. Generally these “second collections” are for national or international programs which are supported by parishes and other Catholic entities. These collections are not for the use of the Archdiocese or any of the Parishes or other Catholic organizations within the geographic territory of the Archdiocese and are merely remitted to the Archdiocese for ultimate transmittal to the administrator of the program or fund for which the collection is requested. Accordingly, these collections are merely in the custody but not the control of the Archdiocese.

III. UTILITY MOTION

23. In the course of its ministry and operations, the Archdiocese has business relationships with certain utility providers. As of the Petition Date, the utility providers identified on “Schedule 1” to the Utility Motion provided utility services necessary for the Archdiocese to continue its operations at various locations including the administrative offices for the Archdiocese (generally referred to as the “Catholic Center”), the IHM Retreat Center, the residential complex where the Archbishop and priests reside, the Archives Museum and other residences owned by the Archdiocese. Most of these relationships are longstanding. In addition, the Archdiocese has a permissive use agreement with St. Pius X School where the Archdiocese pays approximately 40% of the utility bill to St. Pius X for the Archdiocese percentage of use relating to the Catholic Center, Madonna Retreat and Lourdes Hall building.

24. As of the Petition Date, the Archdiocese was not delinquent on any of its prepetition obligations to utility providers who supply services to the Archdiocese. Furthermore,

due to the longstanding relationship the Archdiocese has with the utility providers, none of the utility providers have required the Archdiocese to provide any kind of security deposit prepetition.

25. The Archdiocese will pay the utility providers for post-petition services in the ordinary course in accordance with the business practices that the Archdiocese and the utility providers have established over the years.

IV. WAGE AND BENEFIT MOTION

26. The Archdiocese employs approximately 84 people. The Employees are critical to the Archdiocese's ability to continue to provide the services to the Parishes, missions, and others within the geographic area of the Archdiocese and to carry on its mission and ministry.

27. Payroll obligations are the employees' gross hourly wages or salaries, and, for clergymen, the taxable value of the housing that the Archdiocese provides to them. To pay its payroll obligations, the Debtor transmits all amounts owed for payroll to Debtor's payroll company, Paycor, Inc. ("**Paycor**"). Paycor takes those funds into its own accounts. Then, Paycor (i) remits appropriate amounts to various federal and state taxing agencies for federal and state taxes, Social Security, and Medicare; and (ii) issues paychecks (minimal) or ACH transactions containing each employee's net payroll funds to each employee. Once the funds are transferred from the Archdiocese to Paycor, they are no longer property of the estate. Paycor direct deposits money to the Archdiocese's employees from Paycor's own accounts or, in limited cases, cuts paychecks; therefore, any pre-petition paychecks that have not cleared Paycor's bank as of the Petition Date should not be prohibited from clearing Paycor's accounts post-petition.

28. But for the filing of the Reorganization Case, employees (other than clergymen) would receive direct deposits or paychecks on December 14, in arrears for the two-week period ending December 7. These employees depend upon their direct deposits or paychecks to pay

for their basic living expenses such as food, clothing and housing. Without these direct deposits or paychecks it is likely employees would seek alternate employment.

29. The Archdiocese payroll employee for the Catholic Center enters all hours into the Paycor system. The business manager receives the payroll and submits it to Paycor for processing. Paycor impounds the funds the following day from the payroll bank account. Paycor then direct deposits the net pay to the employee bank accounts and remits payroll tax to the State of New Mexico and IRS. Gross payroll is roughly \$311,000.00 per month. Once the funds are transferred from the Archdiocese to Paycor, they are no longer property of the estate.

30. The Archdiocese intends to use Paycor post-petition to process its payroll and manage the various payroll-related transactions and reports that an employer is required to file or pay.

Employee Benefit Programs.

31. The Archdiocese provides certain benefits to its 84 full-time and part-time employees, which differ depending on whether the employee is (i) a clergyman, or (ii) a non-clergyman. The Archdiocese desires to keep these benefits in place post-petition, in the ordinary course of the Archdiocese's operations and to honor any such benefits which accrued pre-petition. Such benefits can broadly be characterized as insurance-related or retirement-related benefits that recur regularly, the Medibank and employee leave-related benefits that do not recur on a predictable or regular basis.

Regularly-Recurring Benefits

32. The first category of benefits recurs regularly. The cost of such benefits is divided between the Archdiocese and its employees. These benefits are ongoing, and include medical insurance, dental insurance, vision insurance, term life and accidental death and dismemberment

insurance, long-term disability insurance, self funded workers' compensation insurance, and retirement plans with the portion paid by the Archdiocese described in Exhibit B. The Archdiocese does not fund any portion of those costs for the Parishes, St. Pius X School or any other schools.

Other Benefits: Vacation Time and Personal Time.

33. In addition to the foregoing, the Archdiocese provides its employees with certain paid leave, a benefit that does not necessarily recur regularly for each pay period, but rather is used as necessary or in the employees' discretion. For clergymen the Archdiocese implements certain leave policies that are different from those applicable to employees.

34. The employee is able to be paid each January for unused Personal Leave on a 75% basis. Each year on January 1 an employee receives 105 hours for sick leave, bereavement, and personal time off. For clergymen and the other employees of ADSF's administrative offices, ADSF implements certain leave policies that are different from those applicable to employees.

35. Administrative office benefits are divided into personal leave and vacation time. Each year an employee receives 105 hours for sick leave, bereavement, and personal time off. The employee is able to be paid each January for unused Personal Leave hours on a 75% basis. 25% of unused personal leave transfers to Medibank. The Medibank program allows employees to bank or donate time for purposes of meeting a family emergency. The accrual for Medibank is \$37,472.00. An employee who resigns or is terminated is not eligible to be paid for any unused personal leave. As of the Petition Date, the personal leave accrued is \$134,077.00.

36. Each employee accrues the allocation of their vacation time during the year based on years of service and using their date of hire. Vacation cannot be used during the employee's introductory period. Depending on years of service, an employee accrues from 10 vacation days to 20 vacations days per year. An employee cannot exceed two years of vacation accrual. If an

employee resigns or is terminated the employee is paid any accrued vacation. Currently, the employees of ADSF have approximately \$229,183.00 of accrued vacation pay, that has accrued prepetition, but would be used post petition by ADSF's employees, or paid out as a cash payment post-petition if the employees terminated employment prior to December 31, 2018.

Policies Applicable to the Archdiocese's Administrative Employees.

37. Catholic employee benefits consist of personal leave, Medibank and vacation time. Each employee receives the annual allocation of his or her vacation time on January 1 of each year.

38. The payroll account, which receives periodic funding from the operating account, serves the Archdiocese and, is controlled by Paycor. The Archdiocese deposits funding, for their third-party payroll service, Paycor, into the payroll account to sweep.

39. Paycor provides a website and database into which the Archdiocese payroll processor inputs their payroll information. After the information is input, the payroll amounts due to employees and various federal and state taxing agencies are calculated. Paycor then sweeps the funds from the payroll account, which is a zero balance account which sweeps from the operating account.

40. The operating accounts and the payroll account for the Archdiocese at Bank of America remain open and it is beneficial for the Archdiocese that those Bank of America accounts remain open post-petition without interruption. Any disruption in its cash flow will be detrimental.

I declare, under penalty of perjury, that the statements above are true and correct to the best of my knowledge and belief.

Executed this 3rd day of December, 2018

A handwritten signature in black ink, appearing to read "Tony Salgado", is written over a horizontal line.

TONY SALGADO
Declarant

CERTIFICATE OF SERVICE

Pursuant to F.R.C.P. 5(b)(3), F.R.B.P. 9036 and NM LBR 9036-1(b), I hereby certify that service of the foregoing "Declaration of Tony Salgado" was made on December 3, 2018 via the notice transmission facilities of the Bankruptcy Court's case management and electronic filing system on the following parties:

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20 largest unsecured creditors

DATED this 3rd day of December, 2018.

/s/ Stephanie Schaeffer
Stephanie Schaeffer

DECLARATION OF
TONY SALGADO IN SUPPORT OF
FIRST DAY MOTIONS -13

Exhibit A to Salgado Declaration

Institution Name	Account Number	Type	Detailed description	Valuation method	Current,	Restricted	Held for Others	Total Value	
Morgan Stanley	234094047268	Municipal Bonds	Municipal bonds managed by Morgan Stanley and used for operating activity	FMV	201,525	-		201,525	
Morgan Stanley	234094047268	Corporate Fixed Income	Corporate fixed income managed by Morgan Stanley and used for operating activity	FMV	3,682,541	-		3,682,541	
Morgan Stanley	234094047268	Certificates of Deposit	Certificates of deposit managed by Morgan Stanley and used for operating activity	Cost	150,967	-		150,967	
Morgan Stanley	234082853268	Municipal Bonds	Municipal bonds managed by Morgan Stanley and used for self insurance program	FMV	2,740	-	47,107	49,847	
Morgan Stanley	234082853268	Corporate Fixed Income	Corporate fixed income managed by Morgan Stanley and used for self insurance program	FMV	39,523	-	679,510	719,033	
Morgan Stanley	234082853268	Government Securities	Government securities managed by Morgan Stanley and used for self insurance program	FMV	194	-	3,337	3,531	
Morgan Stanley	234082853268	Certificates of Deposit	Certificates of deposit managed by Morgan Stanley and used for self insurance program	Cost	13,263	-	228,022	241,285	
Bank of America	426391	Certificates of Deposit	Certificate of deposit valued at \$1,079,000 plus accrued interest as collateral with the State of New Mexico for self insurance on workers comp	Cost	60,116	-	1,033,550	1,093,666	
Catholic Foundation	N/A	Other Investments	Investment portfolio held and managed by Catholic Foundation in which returns are used for seminarians and Catholic Health Initiatives	FMV	-	4,545,502		4,545,502	See note 1
Mission Diocese Fund, LLC - Catholic Extension Society	N/A	Other Investments	Investment portfolio held and managed by Catholic Extension Society in which returns are used for seminarian programs in the Archdiocese	FMV	-	202,594		202,594	See note 2
Z-Coil		Stock Certificates	Z-coil stock donated to ASF		unknown	-		-	
Catholic Umbrella Pool	N/A	Other Investments	Investment in Catholic Umbrella Pool (illiquid)	FMV	16,767	-	586,707	603,474	
Gold, Silver, and Tungsten, Inc.	27006	Stock Certificates	Gold, Silver and Tungsten Stock (277 shares) donated to ASF		unknown	-		-	
			Investment Premium		94,306	-		94,306	
Total					4,261,942	4,748,096		11,588,271	

Note 1 - Catholic Foundation Investments consist of CHI and Seminary Burse activity and are restricted only for these programs. CHI permanently restricted totals \$2,278,072.02 and Temporarily restricted totals \$821,439.07. Seminary Burse permanently restricted totals \$604,773.16 and temporarily restricted totals \$841,217.92. Permanently restricted assets are restricted in perpetuity and only the income from them can be used for the designated program for which it was intended. Temporarily restricted assets are designated for a specific purpose set by the donor and become unrestricted one used. Thus, all Catholic Foundation investments are restricted in some form or another.

Note 2 - Funds were sent to the Mission Diocese Fund, LLC in January 2018 for the purpose of providing monetary support for seminarian programs. Dioceses across the US contribute to this fund which is managed by an investment portfolio controlled by the Catholic Extension Society. 100% of these funds are permanently restricted and only the income generated from the corpus can be used for which it was intended.

Exhibit B

Vendor	Total Monthly Cost	ASF Employee Portion	Purpose
*Blue Cross Blue Shield of New Mexico	\$ 268,065.36	\$ 55,542.29	Employee Health Insurance
*Delta Dental	\$ 23,495.51	\$ 4,486.25	Employee Dental Insurance
*UNUM Life Insurance	\$ 3,431.48	\$ 482.62	Employee Life Insurance
*Mutual of Omaha Companies	\$ 157.00	\$ 35.79	Employee Accidental Death and Dismemberment
*Vision Service Plan	\$ 3,986.60	\$ 708.01	Employee Vision Insurance
*American Family Life Assurance Co of Columbus	\$ 2,696.14	\$ 691.53	Employee Accident Insurance
Voya Financial	\$ 30,000.00	\$ 30,000.00	Employee 403(b) Retirement Plan
John Hancock Retirement Plan Services	\$ 5,000.00	\$ 5,000.00	Employee 403(b) Retirement Plan

*Note - all of the above plans, with the exception of the retirement services, cover employees in the Catholic Center, parishes and schools (Shared Insurance Program)
Premiums not related to the Catholic Center are billed back to the parishes/schools for reimbursement of the total invoiced amount paid by ASF